

# COMPLIANCE UPDATER

Regulatory and compliance news in brief

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## **Challenger audit firm RSM misstates its own accounts.**

RSM, a challenger to the dominant big four accounting firms in auditing listed UK companies, suffered the embarrassment of misstating its own financial statements. It misstated its provisions for professional liability claims setting aside £3.8m too much in 2017 and £6m too little in 2018. The blunder resulted in the removal of three board members – the previous CEO, CFO and COO.

## **Cyber criminals attack Travelex.**

Hackers attacked currency dealer Travelex and demanded \$6m to prevent them releasing sensitive customer information. Travelex is the world's largest retail currency dealer. It refused to say whether it had paid a ransom but said it was taking advice from security specialists.

## **FCA attempts to require clarity from banks re interest rates.**

The UK's Financial Conduct Authority (FCA) plans to stop banks attracting customers with appealing rates and then reducing them later. It is proposing a single easy access rate (SEAR) that will apply after one year so that customers can see what is on offer beyond any introductory period.

## **Dixons Carphone fined £500,000 for data breach.**

The UK's Information Commissioner's Office fined Dixons Carphone £500,000 for a data breach that saw an attacker install malware that affected more than five-thousand tills at Currys PC World and Dixons Travel stores. The malware collected personal data for nine months before it was detected. The penalty was the maximum available under the pre-GDPR regime.

## **Citadel agrees \$97m in Chinese settlement re suspected illegal acts.**

Citadel Securities agreed to pay \$97m to settle alleged trading violations in China. The activities date back five years when the China Securities Regulatory Commission (CSRC) launched an investigation into "malicious short selling" and "spoofing" by the algorithmic trading specialist.

## **UK's FCA looking at ACD market.**

After the attention brought to the role of the Authorised Corporate Director (ACD) in the scandal involving Neil Woodford's funds, the UK's FCA has started to question ACD services providers. The questions revolve around systems and oversight of regulated funds.

**AIG selects Mazars to audit its UK operations.**

In another major coup mid-tier auditor Mazars managed to win the UK audit of insurance giant AIG. AIG has been audited by PwC for forty years, and PwC will continue to audit the worldwide group. Mazars was also selected by Goldman Sachs to audit its European operations last year. There continues to be ongoing concerns over the dominance of the big four (PwC, Deloitte, KPMG and EY) who audit ninety-seven per cent of large listed companies in the UK.

**BlackRock pledges to embed climate factors into stock choices.**

The world's largest fund manager, BlackRock, decided to publicly declare the steps it will take to embed climate change factors into its investment process and governance. The chief executives stated that BlackRock will take a "harsh view" of companies that fail to provide hard data on the risks they face from climate change. Amongst the steps are a commitment to integrate environmental, social and governance (ESG) factors into active management decisions in 2020, and require companies in which it invests to disclose in line with the Taskforce on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) from this year.

State Street Global Advisors (SSGA), another of the biggest shareholders in many blue-chip companies, is also promising to start voting against boards of big companies that lag behind in environmental, social and governance standards. SSGA's chief executive said that a company's ESG score "will soon effectively be as important as its credit rating".

**UK's FCA launches a probe into pensions advice.**

The UK's FCA has put pensions advisors on notice that it is reviewing firms to make sure consumers are suitably protected. The plans come in the wake of several scandals – in particular, the wrong advice to thousands of Welsh steelworkers to transfer out of the British Steel Pension Scheme and pushing unregulated mini-bonds on retirees by London Capital & Finance. More than one-hundred and sixty-thousand people have cashed in their final salary pensions since 2015 and the FCA is planning to question one-thousand, eight-hundred and forty-one financial advisors about potentially harmful defined benefit pension transfer advice.

**Portuguese banker found dead.**

A Portuguese private banker that acted for Africa's richest woman – Isobel dos Santos – was found dead in Lisbon. The death coincided with the banker being named as one of the suspects in an Angolan investigation into alleged misappropriation by Ms dos Santos of funds from the state oil company Sanangol. Various emails and documents have been made available by whistleblowers that are said to highlight corruption. The banker appears to have committed suicide.

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